

NSC BRIEFING

~~TOP SECRET~~

5 OCTOBER 1955<sup>25X1</sup>

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

MIDDLE EAST MANEUVERS

X. Egypt's arms deal with the Soviet Bloc is firm.

A.

25X1

25X1C/

the first Bloc shipment --

small arms, plus machine guns superior in range to Egyptians' present

equipment -- arrived at Alexandria on 27 Sept.

25X1

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~

~~TOP SECRET~~

II. Commercial ~~Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4~~ ~~appeals to the Soviet Union's~~ ~~USSR's~~ ~~long-range policy of encouraging neutralist~~ ~~sentiments in the area, reducing the dependence of these nations on the West,~~ ~~and establishing closer ties with the Sino-Soviet Bloc.~~

substantially forward the ~~USSR's~~ long-range policy of encouraging neutralist sentiments in the area, reducing the dependence of these nations on the West, and establishing closer ties with the Sino-Soviet Bloc.

A. While Soviet munitions offers are important in terms of their immediate effect, long-term barter agreements are even more significant.

B. Once these Middle Eastern states establish a steady market in the Soviet bloc for exports important to their economies, they will be under strong *internal* pressure to continue their hold on these markets.

C. Under these circumstances, the Sino-Soviet Bloc would possess a strong economic lever to be used for political purposes.

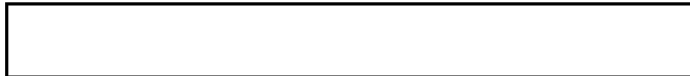
Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

- 2 -  
~~TOP SECRET~~

*SOVIET UNION*

~~TOP SECRET~~

III. The USSR, <sup>^</sup>in recent months, has followed exactly this program -- including not only arms but economic help and attractive barter arrangements -- in the Middle East. Where loans have been made, the interest rate is low



<sup>a</sup>  
A. In Egypt, for example and despite Nasr's apparent determination to keep Bloc relations on purely commercial basis, a Soviet loan -- say at 2% -- for the "high dam" at Aswan would be immensely attractive.

B. Some such sort of Soviet loan to Egypt was offered even before the arms negotiations began last May, and was reportedly repeated during the current negotiations.

C. By way of contrast, the West's IBRD mission completed a survey on the "high dam" project in Dec 54, found it technically feasible, but *the Bank*

~~TOP SECRET~~

~~TOP SECRET~~

has still not made Egypt a proposition.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

1. Moreover, <sup>the International Banks</sup> ~~IBRD~~ loan rates are usually 4% to 5% to Middle Eastern countries.

2. Soviet loan rates are not only lower, but usually allow payment in kind,

rather than cash. Soviet readiness to accept Egyptian cotton in

payment, could be a determining factor for Egypt.

IV. The Soviets, having netted <sup>Egypt</sup> ~~Nasser~~ with their arms deal, are not resting on their

oars. Elsewhere in the Middle East <sup>they are also on the move :</sup>

A. The Syrian government has failed to deny reported receipt of a new Soviet arms offer, although the Prime Minister has stated that he prefers not to deal with the Soviet Bloc on arms procurement. Damascus press reaction to Egypt's deal nonetheless has been very favorable.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~

~~TOP SECRET~~

~~B.~~ The Saudis will certainly also be among those tempted--their initial reaction to the Egyptian deal was favorable.

~~X.~~ Meanwhile, the Israelis, convinced that Egypt will use Soviet arms against them, are demanding that action be taken by the West (particularly the US) to deter aggression.

~~A.~~ Ambassador Eban, in urging this action on the US, characterized the Israeli attitude as: "let's not sit here like rabbits, waiting for the kill."

~~B.~~ Tel Aviv wants Western arms to counter the threatened imbalance; also wants more Western guarantees of status quo in the area.

~~C.~~ Even in the absence of Western help, a Middle East arms race is possible, since Israel can secure considerable military equipment from various arms hawkers in Europe.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~

~~TOP SECRET~~

VI. Israel is also protesting to Soviet Bloc ~~Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4~~

- A. Tel Aviv has already formally told the Czechs that the Egyptian deal is an "unfriendly act," and has asked Moscow for a clarifying statement on Soviet policy in Middle East.

VII. Meanwhile, Israel is likely to assume a more beligerent posture toward the Arabs.

- A. A tougher frontier policy is likely, with more border incidents as a result.
- B. In the months ahead, Israel is likely to ponder the idea of full-scale "preventive" war, before the Arabs can overtake Israeli military strength.

*I don't believe*

*CPC*

~~TOP SECRET~~

NSC BRIEFING

5 OCTOBER 1955

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~

23 OCTOBER SAAR REFERENDUM

- ~~I.~~ In a little over two weeks from now, the Saarlanders will hold a referendum on acceptance or rejection of the "European Statute," *Under this statute,* the Saar's defense and foreign affairs would be the responsibility of the Western European Union; the 1000 sq. mi. area would achieve internal political autonomy; and close economic ties to France would be continued.
- ~~A.~~ Rejection would have serious consequences for French-German relations, since the "European Statute" is part of France's price for the Paris Accords "package" (which permitted West German rearmament).

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~

~~SECRET~~

~~II.~~ A vigorous and sometimes violent anti-"Statute" campaign in the Saar has ruled out earlier expectations, which foresaw approval by a substantial majority.

~~A.~~ Pro-German parties, banned in the Saar until the referendum campaign opened in late July, have whipped up much nationalist sentiment among the million Saarlanders (almost all of whom are German).

~~X.~~ The pro-German parties argue that, should the "Statute" be rejected, France can then be forced to make an agreement on the Saar more favorable to German interests.

25X6

2.

~~SECRET~~



~~SECRET~~

3. Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4  
The German bishops of Trier and Speyer, whose dioceses include the strongly Catholic Saar, have indirectly indicated disapproval of the "Statute" by failure to disavow pro-German propaganda claims that the Church opposes it.

B. The only known poll (taken in early Sep) showed a heavy majority of Saarlanders opposed to the "Statute."

III. However, in the past month, pro-"Statute" forces--led by Saar premier Johannes Hoffmann and his large Christian People's Party--have staged a counterattack.

A. Pro-"Statute" campaigners are stressing the lack of an effective alternative to the projected settlement, and plugging the Saar's better economic prospects under the "Statute."

~~SECRET~~

~~SECRET~~

- B. Early rowdiness of the anti-"Statute" campaigners has alienated some Saarlanders who were originally inclined to oppose the "Statute."
- e.* A statement by the papal emissary in Saarbrücken, on 27 Sep, *in which he said,* ("vote according to your conscience") has deflated claims by pro-German leaders that the Church opposes the "Statute."
- D. Hoffman's Christian People's Party has shown its confidence in a favorable outcome by voting almost unanimously in a 2 Oct party congress not to reverse its position favoring the "Statute" (such a repudiation had been urged for party tactical reasons).
- E. Hoffmann, the Saar's most experienced politician, has privately predicted (in mid-Sep) a 60% favorable vote, although both French and German politicians are less sanguine.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~

~~SECRET~~

~~IV.~~ Whatever the outcome, the emotion generated by the campaign is raising political dangers in the Saar.

~~A.~~ Should the "Statute" win approval <sup>but</sup> only by <sup>A</sup> narrow margin, pro-German disturbances might follow.

~~1.~~ <sup>HOWEVER,</sup> An expected announcement by WEU of its intention to create a special international police force, ready to intervene in the Saar should disturbances develop, will probably have a restraining effect on pro-German bully boys.

~~2.~~ Under these circumstances, the pro-Germans would probably confine themselves to a campaign to vote Hoffmann out of office in the special 4 Dec '55 Landtag elections.

~~SECRET~~

~~SECRET~~

- ~~B.~~ Should the "Statute" be rejected by a narrow margin, the French would be encouraged to reimpose direct controls, to include the banning of pro-German parties and putting off the Landtag elections until they are next regularly scheduled (1957).
- ~~X.~~ Any such French reimposition of controls would infuriate West German opinion. Adenauer's foreign policy would suffer a blow over the collapse of such a key element in the present French-German rapprochement.
- ~~C.~~ If the "Statute" is rejected by a substantial margin, it is likely that the French would accept some arrangement for temporary continuation of WEU control of the Saar, pending negotiation of a new agreement.

~~SECRET~~

~~SECRET~~

~~Y.~~ It is still possible that the referendum will be postponed. This possibility may have been discussed at yesterday's (5 Oct) meeting of Faure and Adenauer.

- ~~A.~~ French see postponement as a means of making the electorate more fully informed on consequences of the vote.
- ~~B.~~ Timing of <sup>the</sup> announcement on WEU international police may also have been part of Faure-Adenauer talks.
- ~~C.~~ A third subject may have been a French-proposed joint French-German "declaration" on the forthcoming referendum.
- ~~D.~~ However, we have not yet received any details of the Faure-Adenauer meeting.

~~SECRET~~

POSITION OF FAURE GOVERNMENT

- X.* The defection of the Gaullists in the French cabinet makes premier Faure's early downfall ~~almost certain~~ *probable*.
- A.* Only the imminence of the Geneva talks may delay his immediate overthrow.
- B.* Four of the five Gaullist Social Republicans in the cabinet resigned on Faure's request. *(a new Defense Minister, Billotte, has reportedly been named.)*
- 1.* ~~Their parliamentary group~~ *Gaullist* has appealed to president Coty to form a new government.
  - 2.* Coty cannot act until Faure resigns or is overthrown.

~~SECRET~~  
Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4  
3. The Gaullist move <sup>leading to Goly</sup> was an attempt to put pressure on Faure on North African policy.

- ~~C.~~ Other rightist opponents of Faure's Moroccan program may now be encouraged to desert the government.
- ~~D.~~ Faure's downfall will be precipitated, but he may succeed in getting assembly approval on his Moroccan program for which he can count on the support of the Socialists, who are in the coalition.
- ~~E.~~ It is also possible that the Socialists may support him without participating in the government, to avoid a prolonged political crisis during the Geneva conference.
- ~~H.~~ Faure's chances had already been weakened before the Assembly reconvened: the worst of these is the tangled North African situation:

- Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4
- ~~SECRET~~
- X. Thirty interpellations have already been deposited, with both right and left attacking his Morocco policy.
  - X. The Right is angered by the ousting of puppet sultan ben Arafa of Morocco. and even more by Faure's insistence on going ahead with 3-man "Council of the Throne"
  - X. The Left is angered by government delays in implementation Faure's Aix-les-Bains plan. for a Moroccan settlement.
  - X. Deputies are also fearful of Algerian unrest, where postponement of a special Algerian Assembly session has disrupted Faure's plan to step up "intergration" of Algeria's Moslems.
  - X. On French domestic scene, increasing labor trouble is another factor of weakness.
  - X. There is possibility of a Communist-sponsored call for general strike.



~~SECRET~~

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

- Ø. A third weakness is Faure's need to ask Assembly for additional funds (to cover wage increases and new military expenditures).
- Ø. Finally, he faces the threat of rejection by voters in the Saar of "European status" in a 23 October referendum there.

III. Factors in his favor include:

- Ø. The French walkout on the issue of Algerian debate in the UN--this action tends to counterbalance Faure's loss of prestige over vacillation on Morocco and most non-Communists are supporting Faure on the walkout.
- Ø. The French National Assembly's reluctance to precipitate a political crisis at present.

~~SECRET~~

~~SECRET~~

IV. Assembly Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4 based on several considerations, among them:

- A. The imminence of the foreign ministers' meeting at Geneva (27 October).
- B. The difficulties of forming a new French government, which include:
  - 1. Technical hurdles in Assembly voting;
  - 2. Preoccupation of all-French political parties with next spring's

national elections.

2. *Their reluctance is also based on* The fear on the part of most French political leaders that Faure's overthrow would increase the chances of ex-premier Mendes-France:

- 1. ~~Either~~ to succeed Faure before next elections,
- 2. Or to campaign in next year's national elections against a new premier of a more conservative stripe than Faure

~~SECRET~~

✓. Meanwhile, ~~Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4~~ developments recently--except for ben Arafa's departure--have been unfavorable to Faure's policy:

*continued on next card*

~~SECRET~~

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4  
2. The most serious development in the 1 October attacks has been the

possible capture by the guerrillas of French arms depots at 2 of the 6 outposts assaulted.

3. Possession of modern arms <sup>would</sup> ~~will~~ greatly enhance Berber capabilities.

4. Terrorism has also been stepped up in North African coastal cities on Morocco's Atlantic coast, as well as across the Algerian border (near the small port of Nemours).

5. To the East, in Algeria, we expect that the Algerian rebels will increase their activities during the period when the Algerian issue is before the UN.

6. On 3 October, the press reported a new series of coordinated Algerian attacks.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~

~~SECRET~~

- B. UN aid approved for Algeria will also likely to enhance the prestige of extremist Algerian nationalists, thus making Algerian Moslem acceptance of France's moderate reform program (authored by Governor General Soustelle) more difficult.
1. Conversely, Algeria's French settlers will oppose the French program more strongly than before.
- Ø. Meanwhile, withdrawal of troops from western Algeria, to reinforce Morocco, faces the French with the imminent danger of an outbreak of guerrilla operations in that Algerian trouble-zone.

~~SECRET~~

NSC BRIEFING

6 October 1955

~~SECRET~~  
Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

DEATH OF GREEK PRIME MINISTER PAPAGOS

*X.* The 4 October death of Prime Minister Papagos has brought to a head the serious political crisis in Greece, which has been building up during the past year.

*A.* His death occurred at a particularly difficult time, while Greek passions are inflamed over the Cyprus issue.

*B.* The Greek Government resigned on 5 October, and King Paul<sup>1</sup> has asked the vigorous and popular young Minister of Public Works--Constantine Karamanlis--to form a new one.

*C.* King Paul apparently passed over the more senior rally leaders because of irritation over bitter in-fighting which has already developed.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~

~~SECRET~~

- Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4
- II. While King Paul and his political advisors will probably try to postpone any new election until the next regular date (Nov '56), the period of a relatively stable Greek government (such as was inaugurated under Papagos in 1952) may be past.
- III. The Rally Party, created by Papagos with the collaboration of various politicians and political factions, has suffered from internal strife and defection during the past 18 months.
- A. As the ailing prime minister became less active, these trends became more pronounced.
- ~~B. His death makes certain that the Rally Party will have disintegrated by the time national elections are held.~~

- 2 -

~~SECRET~~

~~SECRET~~

ILLEGIB

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~B.C.~~ Karamanlis, presently a Rally man,   has well-developed plans for creation of a new center party, and his new Government will probably contain many of the Rally's younger men.

~~IV.~~ Karamanlis' new Government will have to contend with public discontent over the Cyprus issue in its quest for popular support.

~~A.~~ Since Karamanlis is now closely identified in the Greek public mind with the presently unpopular US, he can be expected to demonstrate his freedom from American influence.

~~V.~~ Despite King Paul's interest in promoting a Karamanlis center party which might eventually give Greece a stable, Western-oriented government, a return to Greek coalition governments--based on splinter party alignments--appears probable for the immediate future.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~SECRET~~



*And -*  
~~SECRET~~  
Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4  
A. If the present climate of popular frustration and irritation continues to election day, an unstable coalition government, containing strong leftist and neutralist influences, will be the most likely result.

NSC BRIEFING

6 OCTOBER 1955

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4  
INDONESIAN ELECTIONS

X. In the best unofficial tally of ballots as yet available on Indonesia's first national election (0620 EST 6 Oct), the leftist National Party (PNI) continues to maintain substantial lead (~~7 million, or~~ approx 28% of the 25 million votes thus far counted).

X. The next biggest poller is the unexpectedly strong Nahdlatul Ulama (NU: "Moslem Scholars") with ~~6 million~~ (24%).

X. The pro-US Masjumi <sup>moslems</sup> who were trailing the other three major parties have overhauled the Communists and have now ~~5,726,000~~ <sup>(23%)</sup> to the Communists (PKI) ~~5,550,000~~ (22%).

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

✓. Somewhat less than ~~a million votes~~ (or 3%) are scattered among the many minor parties.

A new ballot has been ordered in five Central Java districts because of unspecified "Irregularities." This could reduce PNI and Commie showings.

~~CONFIDENTIAL~~

II. The count thus far largely reflects voting in Java, where 69% of Indonesia's electorate is located.

- ~~A. The 5 million votes as yet uncounted have largely been polled in non-Javanese areas of the scattered archipelago.~~
- ~~B. Some 10% of the electorate has not yet voted at all, either because of incomplete preparations or because of local dissidence. Such areas must vote by 29 November or be bypassed.~~
- ~~C. A new complicating factor is a reported government order revoking election results in certain areas of Central Java, where PKI piled up a heavy vote.~~
- ~~1. Another vote was ordered because of undefined "irregularities and illegal activities."~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~I.H.~~ Under Indonesian complex system of proportional representation, seats in parliament will be granted to various parties according to the percentage of popular vote received.

- ~~A.~~ Actual allocation of seats ~~(a four step procedure)~~ probably will be deferred until all areas have voted and all votes are counted.
- ~~B.~~ The present Indonesian prime minister (a Masjumi man) has stated that his cabinet will continue in office until the new parliament is seated.
- ~~C.~~ He is probably counting on a minimum of two to three months more in office, and has mentioned as much as six months.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- Approved For Release 2005/05/10 : CIA-RDP80R01443R000400120002-4
- IV. The makeup of Indonesia's next government will not be decided until after some rather intense inter-party negotiating.
- A. The Communists have already put in their bid for inclusion.
  - B. The PNI chief, former premier Ali Sastro-midjojo, has spoken confidently of forming a strong coalition but has refused to discuss possible combinations. The possibility of an opportunistic *NATIONALIST-COMMUNIST* ~~PNI-PKI~~ coalition cannot be excluded.
  - C. Although NU leaders are reportedly working for cooperation among the three leading non-Communist parties to keep the Communists out, the NU, by its past record is also highly opportunistic.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4
- ~~D.~~ Cooperation between the PNI and the Masjumi will be hard to bring about; the present government's anti-corruption campaign (which has involved members of the previous PNI government) has intensified ill feeling between the two parties.
- ~~E.~~ Moreover, President Sukarno whose influence will be stronger than ever, is not likely to ask that any concessions be made to the Masjumi.

V. At this early date, an exclusive PNI-NU coalition appears as likely as any.

- A. Such a coalition would probably have the parliamentary support of the Communists, even without PKI cabinet participation.
- B. PKI's tactical objective is to maintain and accentuate the PNI-Masjumi split, thereby isolating the Masjumi.

~~CONFIDENTIAL~~

NSC BRIEFING

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~ *Not used*

OCTOBER 1955

25X1

PLEASE RETURN TO

LAOS

- I.* The fourteen-month-old dispute between the Laotian government and the Pathet Lao rebels over control of two northern provinces (Phong Saly and Sam Neua) is now approaching a critical juncture.
- A.* 10 Oct is deemed the deadline for reaching a political settlement (which has been under intermittent negotiation since Jan '55), since the 10th is the final date for candidates to file for Laos' 25 Dec '55 national elections.
- B.* If settlement is not reached, the Laotian government *now* ~~will~~ plans to hold elections in the other ten provinces of the country, which are under its control.

Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~



~~TOP SECRET~~

- ~~II.~~ There is an increasing possibility, however, that the 10 October registration date may be postponed, thus permitting further time for negotiations.
- ~~A.~~ Pathet Lao chief, Prince Souphanouvong, ~~who~~ last week refused to keep a 30 September date for a scheduled meeting near Sam Neua with Laotian premier Katay, <sup>he</sup> now has agreed to meet with him in Burma on 9 October.
- ~~B.~~ The Indian ICC chairman states ICC will sit in and present its "outline of settlement" either before or during the meeting.
- ~~C.~~ He believes meeting will not last more than two days and he is not optimistic.

~~TOP SECRET~~

~~TOP SECRET~~

- Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4
- ~~D.~~ The Indians also believe the results of last month's Cambodian elections have convinced the Pathets that they should not risk a test of their strength at the polls.
- ~~III.~~ Many observers, including the Indians, believe the Communists are linking a political settlement in Laos to progress on a political settlement between North and South Vietnam.
- ~~A.~~ However, if negotiations break down (as is anticipated), the Pathet rebels may intensify military operations in the northern provinces.
- ~~B.~~ In event of an all-out Pathet attack, the Laotian government plans to launch a "vigorous" counteroffensive.

~~TOP SECRET~~

~~TOP SECRET~~

- ~~IV.~~ Success of the government's counter-attack plan appears doubtful. Approved For Release 2005/08/10 : CIA-RDP80R01443R000400120002-4
- In addition to the handicap of poor military leadership, it is probable that the French--who control the air-lift necessary for operations in the north--would withdraw their support in the event of major fighting.
- ~~A.~~ Any substantial reinforcement of the 5,200 government troops presently stationed in the northern provinces might bring Viet Minh intervention on the side of the 6,300-man Pathet Lao force, there.
- ~~B.~~ The Laotian Government wants Manila Pact signatories to take up this problem, and to intervene on its behalf if the Viet Minh moves in support of the Pathets.

~~TOP SECRET~~

~~TOP SECRET~~

IV. Some interesting observations on the Pathets have been obtained

[REDACTED]

25X1X A. Defector claims conditions in north are bad and both civil and military Pathet officials would like to defect, but fear reprisals.

25X1 B. [REDACTED] Pathets are willing to pay a high price in order to participate in December elections in Laos.

C. However, Pathets' tough tactics seem to belie defector's view, and it would be highly unorthodox Communist strategy to risk a secure territorial base for a dubious chance at the polls.

~~TOP SECRET~~

~~TOP SECRET~~

Approved For Release 2005/08/16 : CIA-RDP80R01443R000400120002-4

- D. Another statement that seems doubtful is defector's assertion that Pathets are willing to see a large part of their army integrated with Royal forces and the rest demobilized, *This doesn't jibe with* while *thought* [redacted] that the Pathets are worried over their troops' reliability.

Approved For Release 2005/08/16 : CIA-RDP80R01443R000400120002-4

~~TOP SECRET~~